

Keceruel
GP Mabundza
CFO

(APTA)

09/11/2006



AUDITOR-GENERAL

AUDIT REPORT OF THE AUDITOR-GENERAL TO THE MEMBERS OF THE COUNCIL ON THE FINANCIAL STATEMENTS OF AGANANG MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2006

1. AUDIT ASSIGNMENT

The financial statements as set out on pages to, for the year ended 30 June 2006 have been audited in terms of section 188 of the Constitution of the Republic of South Africa, 1996 (Act No. 108 of 1996), read with sections 4 and 20 of the Public Audit Act, 2004 (Act No. 25 of 2004). These financial statements, the maintenance of effective control measures and compliance with relevant laws and regulations are the responsibility of the accounting officer. My responsibility is to express an opinion on these financial statements, based on the audit.

2. NATURE AND SCOPE

The audit was conducted in accordance with South African Auditing Standards. Those standards require that I plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement.

An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements,
- assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation.

Furthermore, an audit includes an examination, on a test basis, of evidence supporting compliance in all material respects with the relevant laws and regulations, which came to my attention and are applicable to financial matters.

The audit was completed in accordance with Auditor-General Directive No. 1 of 2005.

I believe that the audit provides a reasonable basis for my opinion

3. AUDIT OPINION

In my opinion, the financial statements fairly present, in all material respects, the financial position of Aganang Municipality at 30 June 2006, and the results of its operations and cash flows for the year then ended, in accordance with the Institute of Municipal Finance Officers in its Code of Accounting Practice (1997) and in the manner required by the Municipal Finance Management Act, 2003 (Act no 56 of 2003)

4. EMPHASIS OF MATTER

Without qualifying the audit opinion expressed above, attention is drawn to the following matters:

4.1 Information Systems

- 4.1.1 IT security policy is in draft.
- 4.1.2 Various weaknesses were identified with regards to Information System Backups:
 - (i) No regular backups are being made by IT Manager; and backups are not kept off-site at a secure location.
 - (ii) No formally documented backup policy/procedures exist.
 - (iii) The usability of backups could not be routinely verified by way of formal restore procedures.
- 4.1.3 No formal documented and tested disaster recovery plan.
- 4.1.4 No user account management processes exist; as a result the municipality does not address the relevant information such as:
 - Request for new user set-up/access
 - Termination of access
 - Change of access
 - Access review process
- 4.1.5 The following shortcomings were identified regarding physical access and environmental controls :
 - (i) No access cards and access logs are kept for access to the server room.
 - (ii) No fire, smoke and water detection devices are installed in and outside of the server room.

4.2 Controls

- 4.2.1 The municipality does not have Fraud Prevention Plan in place.

4.3 Personnel

- 4.3.1 Leave taken are not approved by the responsible official.
- 4.3.2 Induction was not conducted for new employee.
- 4.3.3 Employee performance contract was not signed by the municipal manager.
- 4.3.4 An employment contract of one employee was not signed.
- 4.3.5 Salaries were paid to employee after resignation date.
- 4.3.6 Payrolls for the year under review were not signed.
- 4.3.7 An amount of R25 675.29 considered to be fruitless expenditure has been paid as penalties and legal fees due to municipality being reluctant to pay leave gratuity.

4.4 Bank and Cash

4.4.1 The petty cash is not kept in a lockable safe place.

4.5 Revenue

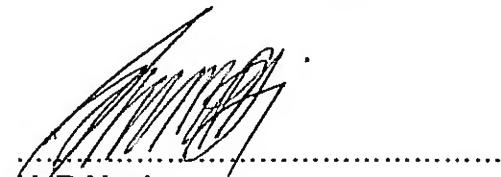
- 4.5.1 Debtors amounting to R3 262 826.96 have been outstanding for more than 360 days, and appear to be non-recoverable.
- 4.5.2 Cell phone debts of R66 663.25 have been outstanding for a long period.
- 4.5.3 The municipality does not have tariff listing for hiring municipal facility.
- 4.5.4 Record keeping over receipts appears to be poor as it was difficult to match the manual receipts to system receipts and as a result of poor audit trail it was difficult to test the completeness of revenue.

4.6 Investment

4.6.1 No evidence of review of the monthly reconciliations by a senior official.

5 APPRECIATION

The assistance rendered by management and the staff of Aganang Municipality during the audit is sincerely appreciated.



MJR Mpai
for: Auditor-General

Polokwane
29 November 2005